

April 2017

Results from the April *Manufacturing Business Outlook Survey* suggest that regional manufacturing activity continued to expand, but at a slower pace than last month. The diffusion indexes for general activity, new orders, and shipments remained positive but fell from their readings in March. The current employment index, however, improved slightly and continues to suggest expanding employment in the manufacturing sector. The survey's future indicators continued to reflect general optimism but retreated from their high readings in the first three months of the year.

Current Indicators Continue to Reflect Growth

The index for current manufacturing activity in the region decreased from a reading of 32.8 in March to 22.0 this month. The index has been positive for nine consecutive months and remains at a relatively high reading but has moved down the past two months (see Chart 1). Thirty-seven percent of the firms indicated increases in activity in April, while 15 percent reported decreases. The current new orders and shipments indexes remained at high readings but declined 11 points and 10 points, respectively. Both the delivery times and unfilled orders indexes were positive for the sixth consecutive month, suggesting longer delivery times and increases in unfilled orders.

Firms reported an increase in manufacturing employment and work hours this month. The percentage of firms reporting an increase in employment (27 percent) exceeded the percentage reporting a decrease (8 percent). The current employment index improved 2 points, its fifth consecutive positive reading (see Chart 2). Firms also reported an increase in work hours this month: The average workweek index was nearly unchanged at 18.9 and has registered a positive reading for six consecutive months.

Price Pressures Moderate

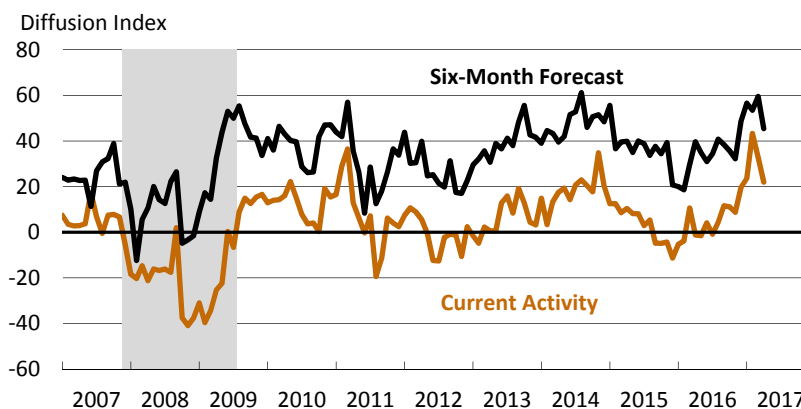
The survey's diffusion indexes for prices remained positive but decreased from their readings in March. On the cost side, 36 percent of the firms reported increases in the prices paid for inputs, compared with 41 percent in March, and the prices paid index decreased 7 points to 33.7. With respect to prices received for firms' own manufactured goods, 30 percent of the firms reported higher prices, and 13 percent reported lower prices. The prices received index decreased 4 points.

Firms Expect Growth but Optimism Lessens

Most of the survey's six-month indicators decreased from the

Chart 1. Current and Future General Activity Indexes

January 2007 to April 2017



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

higher readings seen since the beginning of the year. The diffusion index for future general activity decreased from 59.5 in March to 45.4 this month (see Chart 1). Fifty-three percent of the manufacturers expect increases in activity over the next six months, while only 8 percent expect declines. The indexes for future new orders and shipments also fell, decreasing 5 points and 10 points, respectively. The future employment diffusion index, at 37.6, remained near its reading in March. Forty-six percent of the firms expect to increase employment over the next six months. Nearly 28 percent expect increases in work hours.

Capital Spending Is Expected to Increase

In special questions this month, firms were surveyed about their capital spending plans for 2017 compared with actual spending levels in 2016 (see Special Questions). Nearly 52 percent of the firms indicated that total capital spending would increase this year compared with 2016, while 17 percent indicated that spending would decrease. Expected high sales growth and the need to replace capital goods were the most cited reasons for the increase. Among the firms that indicated that capital spending would increase, 63 percent indicated that the majority of the spending would occur in the second half of the year. Among the firms that do not plan to increase capital spending, the most cited reasons were limited need to replace capital goods and low capacity utilization.

Released: April 20, 2017, 8:30 a.m. ET.

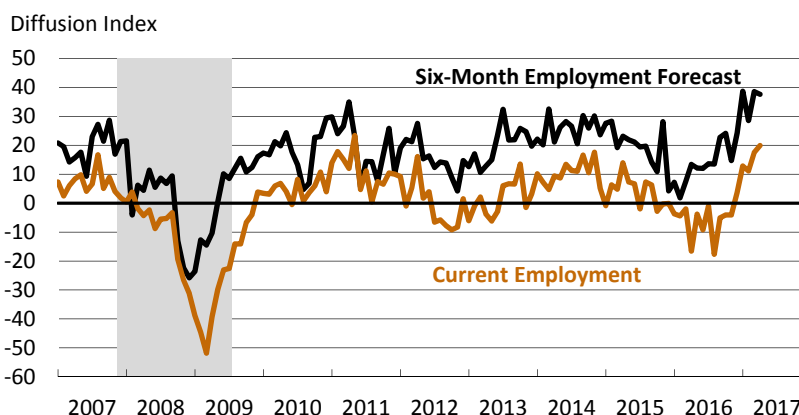
The May 2017 *Manufacturing Business Outlook Survey* will be released on May 18, 2017, at 8:30 a.m. ET.



Summary

Responses to the April *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. Most of the broad indicators remained at positive readings but fell from their March readings. The survey's employment indexes, which continued to show improvement, were an exception. Indicators reflecting firms' expectations for the next six months remained at high levels but moderated from recent highs. ■

Chart 2. Current and Future Employment Indexes
January 2007 to April 2017



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

MANUFACTURING BUSINESS OUTLOOK SURVEY April 2017	April vs. March					Six Months from Now vs. April				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	32.8	37.4	46.9	15.4	22.0	59.5	53.4	28.9	8.0	45.4
Company Business Indicators										
New Orders	38.6	40.7	46.0	13.3	27.4	61.0	59.3	31.7	3.4	55.9
Shipments	32.9	38.5	46.3	15.1	23.4	54.8	54.9	29.5	10.2	44.7
Unfilled Orders	14.4	22.0	61.1	15.4	6.6	16.7	26.9	63.8	4.7	22.2
Delivery Times	4.5	19.0	68.7	5.8	13.2	7.7	13.0	70.9	8.4	4.5
Inventories	11.8	26.1	65.5	8.3	17.8	16.3	28.0	51.5	15.9	12.1
Prices Paid	40.7	36.3	60.3	2.6	33.7	55.7	39.8	48.5	5.1	34.7
Prices Received	20.6	29.8	55.1	13.2	16.6	40.2	35.8	52.7	7.2	28.6
Number of Employees	17.5	27.4	65.1	7.5	19.9	38.5	45.9	40.0	8.3	37.6
Average Employee Workweek	18.5	23.4	70.0	4.5	18.9	21.9	27.9	55.8	12.3	15.6
Capital Expenditures	--	--	--	--	--	34.5	41.4	48.1	4.9	36.5

NOTES:

- (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (2) All data are seasonally adjusted.
- (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through April 18, 2017.



Special Questions (April 2017)					
1. In 2017, do you expect the following capital expenditure categories to be lower than, the same, or higher than last year?					
	Lower (%)	Same (%)	Higher (%)	Diffusion Index	Diffusion Index 2016*
Noncomputer equipment	15.4	41.5	43.1	27.7	12.5
Software	12.3	60.0	27.7	15.4	1.6
Computers and related hardware	12.3	63.1	24.6	12.3	-3.2
Structures	19.7	59.0	21.3	1.6	-4.8
Energy-saving investments	12.9	72.6	14.5	1.6	-4.9
Total Capital Spending	17.2	31.3	51.6	34.4	15.4
2. If your firm plans to increase total capital spending, what are the major factors behind this decision?***					
	2017 (%)		2016* (%)		
Expected growth of sales is high	51.5		40.0		
Need to replace other capital goods	42.4		36.7		
Need to replace information technology equipment	33.3		23.3		
Capacity utilization is currently high	30.3		23.3		
Firm's cash flow or balance-sheet position has improved	21.2		20.0		
Need to replace equipment that consumes too much energy	6.1		13.3		
Cost or availability of external finance has improved	0.0		6.7		
3. If your firm plans to increase total capital spending, when do you expect the majority of this spending to occur?					
	(%)				
First half of 2017	36.7				
Second half of 2017	63.3				
4. If your firm does not plan to increase total capital spending, what are the major factors behind this decision?***					
	2017 (%)		2016* (%)		
Limited need to replace other capital goods	54.5		5.3		
Capacity utilization is currently low	54.5		31.6		
Limited need to replace information technology equipment	36.4		21.1		
Expected growth of sales is low	27.3		57.9		
Firm's cash flow or balance-sheet position has deteriorated	27.3		10.5		
Cost or availability of external finance has deteriorated	9.1		15.8		
Outsourcing	9.1		-		
*Results for 2016 reflect answers from the March 2016 survey.					
**Percentages will not sum to 100 percent because more than one response could be selected.					

